

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1049-04  
Bill No.: Perfected HCS for HB 532  
Subject: Motor Vehicles; Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue - Sales and Use  
Type: Original  
Date: April 19, 2005

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Revenue	(\$2,437,500) to (Unknown)	(\$3,250,000) to (Unknown)	(\$1,625,000) to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$2,437,500) to (Unknown)</b>	<b>(\$3,250,000) to (Unknown)</b>	<b>(\$1,625,000) to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Various State Funds	(\$4,062,500) to (Unknown)	(\$8,125,000) to (Unknown)	(\$9,750,000) to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$4,062,500) to (Unknown)</b>	<b>(\$8,125,000) to (Unknown)</b>	<b>(\$9,750,000) to (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>(\$812,500) to (Unknown)</b>	<b>(\$1,625,000) to (Unknown)</b>	<b>(\$1,625,000) to (Unknown)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Official with the **Department of Transportation (MoDOT)** assume that under Amendment 3, beginning in FY06 and for the next three succeeding fiscal years, proceeds from the motor vehicle sales tax that previously were deposited in the General Revenue Fund will be deposited in the State Road Bond Fund increasing in 25% increments until all of the proceeds previously deposited in the General Revenue Fund are deposited in the State Road Bond Fund. MoDOT assumes that exempting a portion of purchased motor vehicles from sales tax would have a significant negative fiscal impact on the State Road Bond Fund in future fiscal years.

MoDOT assumes sales tax revenue losses—divided among the various state and local funds—of \$4,110,577 in FY06, \$8,461,539 in FY07, and \$9,615,385 in FY08.

Officials of the **Department of Revenue (DOR)** assume its Division of Taxation would have minimal costs associated with the implementation of this proposal. DOR believes it can manage these costs at current appropriation levels unless there is a material change in its other responsibilities. DOR assumes this legislation adds an exemption from state sales and use tax to Section 144.030, RSMo for new motor vehicles assembled and sold in the state of Missouri on or after January 1, 2006.

ASSUMPTION (continued)

DOR states that from September 1, 2003, to August 31, 2004, there were 20,767 vehicles that were manufactured in Missouri and registered as new vehicles in Missouri. The net tax paid on those vehicles was \$13,051,263.

Regarding the modifications to the sales tax exemption for electricity used in manufacturing, DOR assumes it would result in a significant unknown reduction in General Revenue.

In response to a previous version of this proposal (FN #1049-04/HCS for HB 532 without amendments), officials of the **Office of Administration – Budget and Planning (BAP)** assumed the proposal would provide a sales tax exemption for new motor vehicles assembled and sold in Missouri. BAP deferred to DOR to estimate the impact of the proposal, but assumes it would result in a reduction of revenue to General Revenue and the Highway Fund. The proposal would have no impact on BAP.

**Oversight** assumes that sales of new motor vehicles manufactured in Missouri will be relatively stable over the date scope of this fiscal note. **Oversight** further assumes, for purposes of this fiscal note, this proposal would decrease sales/use tax collections from the sale of motor vehicles by \$13 million per year. The fiscal impact of this proposal could increase, should sales of such vehicles markedly increase as result of this act; conversely, it could decrease, should one or more automakers cease manufacturing in Missouri.

**Oversight** assumes that the modification of the sales tax exemption for electricity used in manufacturing would result in a significant negative fiscal impact on state revenues. **Oversight** is unable to estimate the amount of a such a loss, but presumes it to exceed \$100,000.

**Oversight** assumes that this proposal would become effective on January 1, 2006, and that it would not affect local sales and use taxes in place. However, the reduction in state sales/use tax collections would impact percentages of state motor vehicle sales tax revenues forwarded to cities and counties pursuant to Article IV, Section 30(b) of the Missouri Constitution..

**This legislation would decrease total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Loss - General Revenue</u>			
Decrease in sales tax for new motor vehicles manuf. in MO	(\$2,437,500)	(\$3,250,000)	(\$1,625,000)
Decrease in sales tax for electricity used in manuf.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$2,437,500) to (Unknown)</u></b>	<b><u>(\$3,250,000) to (Unknown)</u></b>	<b><u>(\$1,625,000) to (Unknown)</u></b>
<b>VARIOUS STATE FUNDS</b>			
<u>Loss - Various State Funds</u>			
Decrease in sales tax for new motor vehicles manuf. in MO	(\$4,062,500)	(\$8,125,000)	(\$9,750,000)
Decrease in sales tax for electricity used in manuf.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>(\$4,062,500) to (Unknown)</u></b>	<b><u>(\$8,125,000) to (Unknown)</u></b>	<b><u>(\$9,750,000) to (Unknown)</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2006 (6 Mo.)	FY 2007	FY 2008
<b>VARIOUS LOCAL FUNDS</b>			
<u>Loss - Various Local Funds</u>			
Decrease in sales tax for new motor vehicles manuf. in MO	(\$812,500)	(\$1,625,000)	(\$1,625,000)
Decrease in sales tax for electricity used in manuf.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>TOTAL ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS</b>	<b><u>(\$812,500) to (Unknown)</u></b>	<b><u>(\$1,625,000) to (Unknown)</u></b>	<b><u>(\$1,625,000) to (Unknown)</u></b>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

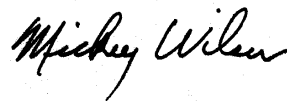
### DESCRIPTION

This substitute exempts all motor vehicles assembled and sold in Missouri from the state sales and use tax and specifies that there is a rebuttable presumption that the raw materials used in the primary manufacture of the motor vehicles contain at least 25% recovered materials. Local sales and use taxes will continue to be collected unless the locality decides to exempt them.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Revenue  
Department of Transportation  
Office of Administration  
Division of Budget and Planning



Mickey Wilson, CPA  
Director  
April 19, 2005